



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

The South Financial Group, Inc. (Banking Subsidiary - Carolina First Bank)

Person to be contacted regarding this report:	Roy Jones
CPP Funds Received:	\$347,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/5/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	9050
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	26849
City:	Greenville
State:	South Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Continue our support of local economic activity by providing economically productive commercial, small business and retail loans to customers in our markets (reducing lending less than otherwise would have occurred).
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Small business loans, HMDA and CRA related loans and continuing investments under the New Markets Tax Credit program.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Continued to maintain our investment portfolio levels at approximately \$2 billion; with a shift in the mix of mortgage-backed securities to 94% of the portfolio at December 31, 2009 from 71% at December 31, 2008.
<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	From December 31, 2008 to December 31, 2009, we increased our allowance for credit losses by \$123 million to \$373 million.

<input checked="" type="checkbox"/>	Reduce borrowings	From December 31, 2008 to December 31, 2009, we reduced wholesale borrowings by \$681 million while growing customer funding.
<input checked="" type="checkbox"/>	Increase charge-offs	During 2009, total net charge-offs were \$541 million as a result of continued economic deterioration.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Utilized the Capital Purchase Program investment to remain "well-capitalized" while increasing reserves and recognizing net charge-offs.

What actions were you able to avoid because of the capital infusion of CPP funds?

The capital infusion of CPP funds helped us stem a decline in customer and community confidence in the bank's ability to withstand the recession. Before banks can fully support economic growth via expansion of lending activity, deposits in the industry must be stable and growing. Deposits are the raw material of lending - banks lend back into the community the money that depositors place with them. Recovery in the economy begins with depositors having confidence in their bank and the banking system. The Capital Purchase Program investment strengthened our capital and liquidity ratios, (and together with the Transaction Account Guarantee Program) making our local depositors feel more secure. Since receiving the investment, we have experienced stabilization of our deposits as well as overall growth. And as our local customer deposits grow, we will have even more funding available for local lending as the economy recovers.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

In 2009, TSFG originated approximately \$906 million in new commercial and consumer loans to new and existing customers (excludes approximately \$1.5 billion of loan renewals to existing borrowers during 2009). Additionally, the Treasury investment assisted us in continuing to work with our customers who are in financial difficulty to keep their homes when their financial circumstances will allow. As one of the nation's leaders in the U.S. Treasury's New Markets Tax Credit Program, TSFG is also committed to supporting community development in low-income areas. In 2009, Carolina First Bank originated \$227.4 million in CRA loans to support small businesses, small farms and community development projects that benefit low- and moderate-income individuals and communities. The Bank originated \$65.8 million in CRA and HMDA loans in federally-designated middle-income, non-MSA distressed or under-served geographies in the Carolinas and Florida during 2009. The Bank originated \$58.7 million in CRA and HMDA loans in HUD-designated Empowerment Zone, Enterprise Communities and Renewal Communities in our assessment areas during 2009.

Additionally, we originated \$321 million in residential loans, the majority of which were sold into the secondary market, and have continued to expand our mortgage origination activities in the markets we serve. We also established an SBA lending business in late 2009 and have quickly become the largest SBA lender in South Carolina and will continue to support small business lending within our primary markets.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.